

Human Rights Education and Monitoring Center (EMC)

Independent Auditor's Report

2016

**Human Rights Education and Monitoring Center
(EMC)**

The Special Purpose Financial Statements
for the Year Ended 31 December, 2016
and
Independent Auditors' Report

**Human Rights Education and Monitoring Center (EMC)
SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

CONTENT

	<i>Page</i>
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES	3
INDEPENDENT AUDITORS' REPORT	4
SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016	
Statement of Financial Position	6
Statement of Activities	7
Statement of Changes in Net Assets	8
Statement of Functional Expenses	9
Statement of Cash Flows	10
Notes to the Financial Statements	11 - 16

Human Rights Education and Monitoring Center (EMC)
SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

The management of the Human Rights Education and Monitoring Center (referred to as "the Organization") is responsible for the preparation of the special purpose financial statements.

This responsibility includes:

- preparation of special purpose financial statements in accordance with fundamentals of Financial Reporting;
- selection of suitable accounting policies and their consistent application,
- making judgments and estimates which are reasonable and prudent,

Management is also responsible for:

- creation, implementation and maintaining effective internal control system;
- keeping proper accounting records in compliance with local regulations;
- taking such steps as are reasonably open to them to safeguard the assets of the Organization, and
- prevention and detection of fraud and other irregularities.

The present special purpose financial statement for the year ended December 31, 2016 is approved by the management and signed on its behalf:



Tamta Mikeladze

Director

Human Rights Education and Monitoring Center



Medea Zhghenti

Financial Manager

Human Rights Education and Monitoring Center

Morison Georgia, LLC



INDEPENDENT AUDITORS' REPORT

Human Rights Education and Monitoring Center
I. Abashidze St. #12 a
Tbilisi, Georgia

Opinion

We have audited the financial statements of Human Rights Education and Monitoring Center (the Organization), which comprise the statement of financial position, as at December 31, 2016, and the statements of activities, functional expenses and cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Organization as at December 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with the basis of accounting policies described in note 2 to the financial statements.

Basis for our Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Georgia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the basis of accounting policies described in note 2 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT (Continued)

Auditors' Responsibility for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Misha Abaiadze / Certified Auditor / Partner

July 31, 2017
Tbilisi, Georgia




Human Rights Education and Monitoring Center (EMC)
 SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

STATEMENT OF FINANCIAL POSITION

ASSETS	Note	31-Dec-2016	31-Dec-2015
Current assets			
Cash in bank	3	229,082	258,195
Grants receivable	4	571,424	333,537
Advances paid		138	3,858
Inventory		3,638	857
Total current assets		804,282	596,447
Fixed assets			
Fixed assets	5	26,327	18,582
Intangible assets		19,618	-
Total non current assets		45,945	18,582
TOTAL ASSETS		850,227	615,029
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable		8,252	1,342
Payable to donor		8,939	-
Deferred grant income	6	750,083	565,825
Advances received		9,826	7,981
Total current liabilities		777,100	575,148
Net assets		73,127	39,881
TOTAL LIABILITIES AND NET ASSETS		850,227	615,029

The financial statements including the notes were approved and signed on July 31, 2017 by:



Tamta mikeladze
 Director
 Human Rights Education and Monitoring Center



Medea Zhghenti
 Financial Manager
 Human Rights Education and Monitoring Center

**Human Rights Education and Monitoring Center (EMC)
SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

STATEMENT OF ACTIVITIES

Changes in unrestricted net assets:	Year 2016	Year 2015
Revenues		
BMZ - 03	-	53,824
HBS BMZ	49,793	30,263
DEATD-CANADA	36,946	4,632
The State of Netherlands	94,579	60,193
U.S Embassy	-	17,357
USAID (ACCESS)	115,864	40,742
NED 1153	-	51,682
RFSU	123,683	20,916
The State of Netherlands (DUTCH)	72,894	95,229
OSGF 19775	-	45,673
GIZ	-	16,431
NED 1181	64,558	5,334
Council of Europe	41,880	-
USAID (Prolog)	117,858	-
Open Society Institute	114,958	-
Transparency International	31,940	-
Heinrich Boll stiftung Foundation	31,629	-
Income from donations	7,581	-
Total revenues	904,163	442,278
Expenses		
Administrative expenses	(907,359)	(448,759)
Net result from foreign exchange difference	36,442	20,756
Total expenses	(870,917)	(428,003)
(Increase) / decrease in net assets	33,246	14,275
Net assets at the beginning of the year	39,881	25,606
Net assets at the end of the year	73,127	39,881
Temporarily Restricted Net assets	-	-
Unrestricted Net assets	73,127	39,881
Total Net Assets	73,127	39,881



Tamta mikeladze

Director

Human Rights Education and Monitoring Center



Medea Zhghenti

Financial Manager

Human Rights Education and Monitoring Center

Human Rights Education and Monitoring Center (EMC)
 SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

STATEMENT OF CHANGES IN NET ASSETS

	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total net assets
Balance as at 31-Dec-2014	25,606	-	-	25,606
Grants and donations	442,278	-	-	442,278
Financing of expenses	(428,003)	-	-	(428,003)
Balance as at 31-Dec-2015	39,881	-	-	39,881
Grants and donations	904,163	-	-	904,163
Financing of expenses	(870,917)	-	-	(870,917)
Balance as at 31-Dec-2016	73,127	-	-	73,127



Tamta mikeladze

Director

Human Rights Education and Monitoring Center



Medea Zhghenti

Financial Manager

Human Rights Education and Monitoring Center

**Human Rights Education and Monitoring Center (EMC)
SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**


STATEMENT OF FUNCTIONAL EXPENSES

Description	Own funds	Open Society Institute	Transparency International	Heinrich Boll stiftung Foundation	USAID (Prolog)	Council of Europe	HBS BMZ	USAID (ACCESS)	The State of Netherlands	NED 1181	DEATD-CANADA	RFSU	The State of Netherlands (DUTCH)	Total Expenses 2016	Total Expense 2015
Payroll	739	84,253	31,927	18,350	80,229	7,746	20,052	54,039	55,367	14,322	5,864	46,382	23,608	442,878	262,65
Services rendered and goods purchase	-	1,181	-	8,920	3,041	10,968	3,166	15,533	13,357	27,593	17,777	22,610	18,188	142,334	49,53
Conference & training	355	12,566	-	-	5,534	18,643	15,469	7,808	6,006	2,146	2,406	14,025	4,565	89,513	23,57
Office rent	-	6,797	-	-	8,798	-	7,048	10,146	937	7,241	-	13,973	-	54,940	29,80
Translation	-	2,165	-	-	5,904	1,813	-	7,629	6,541	4,937	1,159	3,660	4,436	38,244	7,51
Publication expenses	-	507	-	-	747	1,823	-	7,978	5,891	-	1,450	5,771	3,800	27,967	9,46
Transportation	27	2,624	-	1,731	3,040	677	1,100	3,825	1,013	2,181	1,363	2,436	3,134	23,151	13,73
Hotel and business trips	-	781	-	360	5,151	-	-	3,250	60	1,100	2,616	752	8,517	22,587	16,55
Communication and utility	130	1,643	-	452	1,725	-	1,888	2,408	366	2,042	-	3,530	80	14,264	8,95
Depreciation	9,350	-	-	-	-	-	-	-	-	-	-	-	-	9,350	5,86
Stationary	-	393	-	97	76	162	251	1,424	78	1,225	312	1,452	2,122	7,592	4,30
Bank fees	177	127	13	53	142	48	127	123	68	211	199	125	96	1,509	1,09
Other expenses	-	1,921	-	1,666	3,471	-	702	1,701	4,895	1,560	3,800	8,967	4,347	33,030	15,61
Total expenses	10,778	114,958	31,940	31,629	117,858	41,880	49,793	115,864	94,579	64,558	36,946	123,683	72,893	907,359	448,75


Tamta mikeladze

Director

Human Rights Education and Monitoring Center


Medea Zhghenti

Financial Manager

Human Rights Education and Monitoring Center

Human Rights Education and Monitoring Center (EMC)
SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

STATEMENT OF CASH FLOWS

	Year 2016	Year 2015
Cash flows from operating activities		
Cash received from grants	879,086	612,614
Cash received from donations	7,582	-
Cash paid for salaries of employees	(354,255)	(208,040)
Cash paid for honorarium	(7,309)	(6,638)
Taxes paid	(135,572)	(72,152)
Cash paid for services rendered and goods purchased	(102,026)	(63,490)
Cash paid for Presentation, conferences and trainings	(89,263)	(6,157)
Cash paid for office expenses	(79,018)	(20,674)
Cash paid for rent expenses	(44,235)	(19,936)
Cash paid for books and publications	(26,179)	(5,757)
Cash paid for business trips	(21,208)	(20,812)
Cash paid for transportation	(19,779)	(14,246)
Cash paid for Lectures	-	(2,476)
Bank expenses	(1,509)	(1,088)
Other expenses	(41,388)	(4,987)
Net cash provided by operating activities	(35,072)	166,161
Cash flows from investing activities		
Acquisition of property, plant and equipment	(14,856)	(5,386)
Net cash used in investing activities	(14,856)	(5,386)
Net increase in cash and cash equivalents	(49,928)	160,775
Gain/Loss from exchange rate changes	20,815	4,200
Cash and cash equivalents at the beginning of the year	258,195	93,220
Cash and cash equivalents at the end of the year	229,082	258,195



Tamta mikeladze

Director

Human Rights Education and Monitoring Center



Medea Zhghenti

Financial Manager

Human Rights Education and Monitoring Center

Human Rights Education and Monitoring Center (EMC)
SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: BACKGROUND

Human Rights Education and Monitoring Center (EMC) Non-entrepreneurial (non-commercial) legal entity (I/C 404432565) is a membership based organization, which unites human rights and civil activists with different professional backgrounds. It represents an open platform of civic and human rights activists; everyone who shares the declared values of EMC has a possibility to use this sort of resource.

Since its establishment on 28 November 2012, EMC works in human rights field *inter alia* on the protection of rights of socially vulnerable, marginalized and discriminated groups, systemic reform of the law enforcement bodies, the institutionalized violence and social oppression. The key beneficiaries of the organization are socially vulnerable homeless persons, employees working in poor conditions, persons with disabilities, LGBT and religious groups. In its activities, EMC uses research, monitoring, advocacy and raising awareness.

EMC work encompasses four main directions implemented by:

- Civic and Political Rights Program;
- Social Rights Program;
- Institutional Reform Support Program;
- Activism Program.

EMC has a horizontal structure managed by three program directors jointly, with direct and active involvement of the staff members. Essential issues of the organization are decided by EMC team by consensus.

In addition, one of the prioritized directions of EMC's activity is the support of young civic activists' platform, which aims to create alternative thinking space and to support the organized civic activists and students groups.

Nowadays, EMC brings together 21 people with backgrounds in law, sociology, journalism and gender, as well as several contributors of various professions. Their joint work is addressed to the achievement of EMC's declared goals.

On December 20, 2014 the grant agreement was signed between South Caucasus Regional Office of Heinrich Böll Stiftung and EMC for the project "Strengthening the activist groups for the Protection of the Environment and the Labor Rights". The period of the project is from January 01, 2015 to November 10, 2015. The amount of the grant represents GEL 53,815. **(BMZ – 03)**

On July 10, 2014 the grant agreement was signed between Open Society Georgia Foundation (OSGF) and EMC for the project "Institutional reform of the law enforcement system in Georgia: Countering the politicized system". The period of the project is from July 10, 2014 to September 10, 2015. The amount of the grant represents 39,968.85 USD. **(OSGF 19775)**

On March 1, 2015 HSB (Heinrich Böll Stiftung) awarded EMC the grant for the project, Solidarity Network for LGBT in Armenia and Georgia". The period of the project is from March 01, 2015 to October 31, 2017. The total amount of the grant represents 58,506 EUR. **(HBS BMZ)**

On June 10, 2014 Public Affairs section U.S. Embassy funded EMC the grant for the project "Supporting freedom of religion and strengthening the capacities of religious minority groups in Georgia". Implementation period is from July 15, 2014 to June 30, 2015. The amount of the grant represents 23,894 USD. **(U.S Embassy)**

On February 7, 2015 the grant agreement was signed between USAID and EMC for the project "Advancing CSO Capacities and Engaging Society for Sustainability (ACCESS)". The period of the project is from July 01, 2015 to October 31, 2016. The total amount of the grant is 79,178 USD. **(USAID (ACCESS))**

On June 29, 2015 the Minister of Foreign Affairs of the State of the Netherlands and EMC signed the grant contract for the project "Protection of Police Political Neutrality". The period of the grant is from July 20, 2015 to July 20, 2016. The total amount of the grant is 66,390 EUR. **(The State of Netherlands)**

On September 28, 2015 National Endowment for Democracy (NED) and EMC signed the grant contract for the project "Promoting Activism Among Youth". The period of the grant is from November 01, 2015 to July 31, 2016. The amount of the project represents 31,850 USD. **(NED 1181)**

On September 16, 2014 the grant agreement was signed between EMC and National Endowment for Democracy (NED) for the project „Promoting Activism Among Youth". The project Implementation period is from October 01, 2014 to September 30, 2015. The total amount of the grant is 31,123 USD. **(NED 1153)**

Human Rights Education and Monitoring Center (EMC)
SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 1: BACKGROUND (Continued)

On November 27, 2015 the grant agreement was signed between EMC and the Minister of Foreign Affairs of Canada for the project "Promote the protection of the rights of marginalized groups by strengthening civic education and public discussion". Duration of the project is from December 04, 2015 to March 11, 2016. The amount of the grant is 23,870 CAD. **(DEATD-CANADA)**

On June 05, 2014 partnership agreement was signed between Georgian Democracy Initiative (GDI), EMC and Tolerance and Diversity Institute (TDI) for the implementation of the project "Advancing Tolerance, Religious Freedom and Human Rights in Georgia". Duration of the project is from June 01, 2014 to June 01, 2016. The amount of EMC's grant is 94,435 EUR. **(The State of Netherlands (DUTCH))**

On June 29, 2015 RFSU awarded EMC the grant for the project "Strengthening SRHR-based approach in the human rights framework of EMC through tailored capacity building and advocacy activities". The period of the project's first part is from September 01, 2015 to December 31, 2015. The total amount of the grant for the first period is 128,604 SEK. The period of the project's second part is from January 01, 2016 to December 31, 2016. The total amount of the grant is 574,200 SEK per updated budget. **(RFSU)**

On June 10, 2014 GIZ awarded EMC the grant for „Printing, Imposing and Distributing Juridical Literature". The period of the project is from June 15, 2014 to January 20, 2015. The total amount of the grant is GEL 33,520. **(GIZ)**

On July 25 2016, the grant agreement was signed between the "The Council of Europe" and EMC for the implementation of the project „Incorporation of Gender Issues in Political Parties Agents through Strengthening of Women Candi-dates in Georgia for the Parliamentary Elections 2016". Duration of the project is from July 25, 2016 to November 30, 2016. The total amount of the grant is 16,050 EUR. **(Council of Europe)**

On February 09, 2016 the sub-grant Agreement was signed between "Transparency International Georgia" and EMC for implementation the project „Transparency of Police in Georgia", with the total grant amount of 15,200 USD. The period of the grant is from February 09,2016 to December 16, 2016. **(Transparency International)**

On April 15, 2016, the agreement was signed between the "Heinrich Boll stiftung Foundation South Caucasus Regional office" and EMC for the implementation of the project „Spotlight on heavy industry: The case of Chiatura". Duration of the project is from April 15, 2016 to November 30, 2016. Total cost of the grant is 32,000 GEL. **(Heinrich Boll stiftung Foundation)**

On July 25 2016, the grant agreement was signed between the USAID and EMC for the implementation of the project „Increasing Access to Justice for Programs Overseas". The Period of the project is January 01, 2016 to June 30, 2017. The total amount of the grant is 92,819 USD. **(USAID (Prolog))**

On August 21 2015, the grant agreement was signed between the "Society Institute Budapest" and EMC for the implementation of the project „Individual Freedoms and Rights in Policing and Criminal Justice System". The period of the grant is from February 01, 2016 to February 28, 2018. Total amount of the grant is 160,000 USD. **(Open Society Institute)**

**Human Rights Education and Monitoring Center (EMC)
SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

NOTE 2: ACCOUNTING POLICIES

a. Basis of accounting

Based on the Organization's accounting policy, financial statements have been prepared and presented using the historical cost principle and accrual basis of accounting.

According to the historical cost principle, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation, or in some circumstances (for example, income taxes), at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

Under accrual basis, the effects of transactions and other events are recognized when they occur (and not as cash or cash equivalent is received or paid) and they are recorded in the accounting records and reported in the financial statements of the period to which they relate.

b. Use of estimates

The preparation of the financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

c. Reporting currency of the Organization's financial statements

The Georgian Lari (GEL) is the reporting and functional currency. Although some grants are awarded in EUR, CAD or USD and some financial reports sent to donors are prepared in EUR, SEK and USD, the books and records are maintained in GEL as well. Significant volume of operations, i.e. payments of salaries, operating expenses are made in Georgian Lari (GEL).

d. Foreign currency translation

Transactions denominated in foreign currency are recorded at the exchange rate ruling on the transaction date. Exchange differences resulting from the settlement of transactions denominated in foreign currency are included in the statement of activities using the exchange rate ruling on that date.

Monetary assets and liabilities denominated in foreign currency are translated into Georgian Lari at the official exchange rate of the NBG (National Bank of Georgia) at the balance sheet date. As at December 31, 2016 the principal rate of exchange used for translating foreign currency balances was:

	December 31, 2016	December 31, 2015
GEL / 1 USD	2.6468	2.3949
GEL / 1 EUR	2.7940	2.6169
GEL / 1 CAD	1.9360	1.9636
GEL / 10 SEK	2.9158	2.9158

e. Grant revenue and deferred grant

The organization recognizes deferred grant upon signing the agreement with donor. When the relevant expenses of the program are incurred and recognized, the corresponding amount is removed from deferred grant and recognized as revenue.

f. Cash and cash equivalents

Cash and cash equivalents are comprised of cash in bank.

g. Taxes

EMC, as non-governmental, non-commercial organization, pays the following taxes:

- Income tax (20%). Mentioned tax will be paid from the whole salary and from the benefits that are handled to the employees according to the Georgian tax legislation. These taxes are given in financial statements – project incomes and project expenditures as the part of salary and benefits connected to it.

**Human Rights Education and Monitoring Center (EMC)
SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

NOTE 2: ACCOUNTING POLICIES (Continued)

h. Fixed Assets and intangibles assets

Fixed assets and intangible assets are stated at cost less depreciation or amortization. Depreciation and amortization are calculated on the Declining Balance Depreciation Method over the following estimated useful lives:

Asset Group	Useful life
Computers and techniques	2 - 5 years
Other fixed assets	2 - 5 years
Intangibles	2 - 5 years

When assets are retired, or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the statement of activities. The cost of maintenance and repair is charged to the statement of activities as incurred.

i. Net asset classification

The net assets are reported in two self-balancing funds as follows:

Unrestricted net assets – include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the organization.

Temporarily restricted net assets – include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Organization. When restrictions are met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Change in Net Assets as net assets released from restrictions.

j. Revenue

Unrestricted and temporarily restricted contributions and grants are recorded as revenue when the agreement is signed with donor. Restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Restricted contributions and grants received in excess of expenses incurred are shown as restricted net assets in the accompanying financial statements.

NOTE 3: CASH IN BANK

Cash in Bank by currency	Year 2016	Year 2015
Georgian Lari (GEL)	17,128	93,349
US Dollars (USD)	160,280	68,456
EURO (EUR)	51,672	96,390
Total	229,082	258,195

NOTE 4: GRANTS RECEIVABLE

	Year 2016	Year 2015
Open Society Institute	211,917	-
OSF	172,886	-
USAID (Prolog)	105,930	-
HBS BMZ	67,238	120,420
Council of Europe	13,453	-
USAID (ACCESS)	-	124,317
NED 1181	-	35,924
The State of Netherlands	-	35,048
The State of Netherlands (DUTCH)	-	14,401
DEATD-CANADA	-	3,427
Total grants receivable	571,424	333,537

Human Rights Education and Monitoring Center (EMC)
 SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 5: FIXED ASSETS

Year 2016

	Computers and Techniques	Other fixed assets	Total
Gross Book Value			
Balance at 31 December 2015	24,850	4,205	29,055
Additions	15,982	350	16,332
Balance at 31 December 2016	40,832	4,555	45,387
Accumulated Depreciation			
Balance at 31 December 2015	7,957	2,516	10,473
Charge for the year	7,894	693	8,587
Balance at 31 December 2016	15,851	3,209	19,060
Net Book Value			
Balance at 31 December 2015	16,893	1,689	18,582
Balance at 31 December 2016	24,981	1,346	26,327

Year 2015

	Computers and techniques	Other fixed assets	Total
Gross Book Value			
Balance at 31 December 2014	20,239	3,451	23,690
Additions	4,611	754	5,366
Balance at 31 December 2015	24,850	4,205	29,056
Accumulated Depreciation			
Balance at 31 December 2014	3,454	1,157	4,611
Charge for the year	4,503	1,359	5,862
Balance at 31 December 2015	7,957	2,516	10,473
Net Book Value			
Balance at 31 December 2014	16,785	2,294	19,078
Balance at 31 December 2015	16,893	1,689	18,582

NOTE 6: DEFERRED GRANT INCOME

	Year 2016	Year 2015
Open Society Institute	285,773	-
OSF	259,328	-
USAID (Prolog)	107,214	-
HBS BMZ	71,887	117,719
RFSU	25,881	12,621
USAID (ACCESS)	-	144,582
The State of Netherlands	-	108,824
The State of Netherlands (DUTCH)	-	74,598
NED 1181	-	70,771
DEATD-CANADA	-	36,710
Total deferred grant income	750,083	565,825

Human Rights Education and Monitoring Center (EMC)
SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 7: MOVEMENT IN DEFERRED GRANTS

	<u>Year 2016</u>	<u>Year 2015</u>
Opening balance of deferred grants	565,825	292,476
Add: Grant contracts signed in the period	1,080,839	715,627
Less: Deferred grants transferred to the period incomes	(896,581)	(442,278)
Closing balance of deferred grants	750,083	565,825

NOTE 8: COMMITMENTS AND CONTINGENT LIABILITIES

Legal proceeding

As of 31 December 2016, the Organization was not engaged in legal proceedings.

Tax legislation

The Georgian commercial and tax legislation contains provisions which sometimes imply more than one treatment for transactions. Moreover, the tax authorities may take arbitrary judgments as to business activities and transactions, including the arbitrary classification of the activities of the Organization when the regulatory basis for this decision is deemed insufficient. Thus, although management believes that it has adequately provided for tax liabilities in the financial statements, its judgment of the Organization activities and transaction may not coincide with the interpretation of the tax authorities.

Operating environment

Over recent years, Georgia has undergone substantial political and economic change. As an emerging market Georgia does not possess a well-developed commercial infrastructure that generally exists in more mature business markets. Laws and regulations effecting businesses operating within the country are subject to rapid change. In addition, continued economic stability is dependent to a large extent on the effectiveness of fiscal measures taken by the government, decisions of international lending organizations, and other actions beyond the Organization's control.

*** END OF THE DOCUMENT ***